



Minutes City Council Issue Review Session April 22, 2010

Minutes of the Tempe City Council Issue Review Session held on Thursday, April 22, 2010, 6:00 p.m., in the City Council Chambers, Tempe City Hall, 31 E. Fifth Street, Tempe, Arizona.

COUNCIL PRESENT:

Mayor Hugh Hallman
Councilmember P. Ben Arredondo
Councilmember Joel Navarro
Councilmember Corey D. Woods

Vice Mayor Shana Ellis
Councilmember Mark W. Mitchell
Councilmember Onnie Shekerjian

Mayor Hallman called the meeting to order at 6:35 p.m.

Call to the Audience

Jason Ryan – Mr. Ryan thanked Councilmembers for looking at the Tempe Sports Complex skate park issue. A few years ago, Zack Ormond did an evaluation of this skate park for bike usage. Mr. Ryan voiced his dissatisfaction of the results of that evaluation. Mr. Ormond designed a skate park in Louisville, KY that is premiere in this industry that allows bicycles and skate boards and is open 24 hours a day, 7 days a week. This facility has had no problems allowing bikes and skateboards to utilize their facility. Louisville's skate park has the same specifications as Tempe's venue. Bikes don't cause any more wear and tear than skateboards do. Mr. Ryan concluded by requesting that bicyclists be able to use this skate park.

Pat Blackburn also has a problem with the report referenced by Mr. Allen, specifically the part where it references how bikes make irreparable damage to the copings. After visiting various parks he found similar design specifications.

Cal Berquist stated that there is a skate park by his grandmother's house that allows skateboarding and bicyclists with no problems.

Mayor Hallman asked if allowing bikes without pegs would make a difference. Mr. Blackburn replied that he thought it is a myth that bike pegs do the damage that they are claimed to do. A majority of the bikes being used don't even have pegs.

Tempe Sports Complex – Skate Park

DISCUSSION

Mark Richwine stated that the firm Wormhoudt, Inc., conducted an analysis to determine if the Tempe Sports Complex Skate Park was suitable for BMX use. Their determination was that the park was not designed to accommodate BMX use and that allowing BMX use will more than likely result in excessive damage to this facility. Councilmember Navarro

stated that he has utilized this facility and remarked upon how crowded it becomes. Councilmember Navarro added that having skate boarders and BMX riders utilize the facility at the same time might pose some risk if the two groups do not take turns using this facility. Mark Richwine stated that this is an unsupervised facility, so even if there were designated times of usage for BMX and skateboarders, there is no way to actively enforce/regulate that rule.

Mr. Richwine stated that there are two additional skate park facilities in Tempe, one at Esquer Park and one at Hudson Park, both of which accommodate BMX use. Councilmember Shekerjian asked if the building materials at these two parks were similar to the Tempe Sport Complex and if not, what are the differences. Mr. Richwine stated that the primary difference is the steel coping used at Esquer Park that was used to accommodate the bike pegs for BMX use. Hudson Park is made up of premanufactured materials designed to accommodate all terrain bike sports and blades. This park is above ground and mobile, unlike the other two skate parks. Above ground components allow for the flexibility to change the skating experience without the necessity to invest in a brand new complex.

Councilmember Shekerjian asked Mr. Richwine if there would be any foreseeable problems, including infrastructure damage, in conducting a trial period to allow skate boarders and BMX use at the Tempe Sports Complex. Mr. Richwine stated that the challenge to allowing BMX use at this facility is that, if damage occurs to parts within the infrastructure, those parts will be required to be removed permanently from the facility. Councilmember Shekerjian stated that given the state of the economy, having this amenity available for BMX use gives individuals an affordable way to enjoy their sport. In light of this, perhaps a pilot program could be considered with the participation of BMX riders that wish to be part of the pilot program and its evaluation. Ken Jones stated that because of the design and construction of the Tempe Sports Complex, BMX bikes with pegs will result in permanent damage to this facility. Even if the park were to restrict the use of pegs, while allowing bicycle use, enforcement remains a primary concern. Mr. Jones showed slides of skate park damage due to BMX pegs. Mr. Jones stated that the design of this park is such that retrofitting it to accommodate bike usage would require that it be dismantled and reconstructed.

Councilmember Shekerjian asked why accommodating BMX usage was not considered in the original design of this park. Mayor Hallman followed up by asking who designed this park. Mr. Richwine responded that Mike McIntyre and Colby Carter designed this park. Councilmember Arredondo added that this park was designed this way with the intention of building a BMX park adjacent to, or nearby the Tempe Sports Complex.

Mayor Hallman asked how much the Esquer Skate Park and Tempe Sports Complex Skate Park costs to construct. Mr. Richwine responded that it was approximately \$250,000 at Esquer Park and approximately \$700,000 for the Tempe Sports Complex. Mayor Hallman voiced disappointment at the lack of functionality of the Tempe Sports Complex Skate Park and how it excludes the use of BMX. This venue provides a positive source of recreation for sports minded individuals and suggested that staff further explore the notion of a self policing facility that would prohibit the use of pegs on bikes.

CONSENSUS

Staff was directed to further research possible options and return to an Issue Review Session.

Budget Review

Cecilia Robles reported that the proposed financial program for fiscal year (FY) 2010-11, which includes funding for both operating and capital purposes and is estimated at \$422 million and is a \$79 million (16%) decrease from the prior year. The operating budget reflects a balanced program whereby the proposed revenues match the proposed expenditures. This was achieved by a combination of budget cuts combined with new revenue sources. The operating component consists of \$374 million, a \$31 million (8%) reduction from last year's program. On the capital side, staff is projecting a

\$48 million dollar budget with \$48 million dollar (50%) reduction. Staff will be proposing some minor changes to the operating budget at an upcoming meeting. The size of the general fund portion is estimated at \$155 million representing a \$31 million (17%). Some of the other funds are also experiencing considerable financial challenges as well. Of special note, the Performing Arts, Golf, Cemetery, Transit, Rio Salado and HURF funds are all facing considerable economic challenges. Budget balancing proposals for each of those funds will be forwarded to Council as they are completed.

The Mayor emphasized to the public that this reflects only the direction that we are headed and but no final budget has been adopted. The budget remains under consideration and will be impacted by the privilege sales tax election results on May 18. Councilmember Woods asked what the \$700,000 vacancy pool represents. Ms. Robles stated that the long range forecast assumes 100% staffing levels. Charlie Meyer added \$700,000 creates a vacancy pool and is a savings realized by not immediately filling certain vacancies realized through attrition. A vacancy review board will be reviewing vacant positions to ensure this is a policy that is administered effectively on a city-wide basis. Ms. Robles added that \$700,000 equates to approximately 10 positions. Councilmember Woods asked staff to provide a list of vacant positions within the red/yellow and green budget proposal. Mr. Meyer stated that staff is proposing that vacant staff positions are slated to be eliminated as a priority over positions currently filled. Currently there are 58 vacant positions in the red category and 62 filled positions that are being eliminated. In the yellow zone, there are 8 vacant positions being eliminated and 65 filled positions that are being eliminated. Councilmember Woods voiced his support for saving as many employees as possible from being laid off. Mr. Meyer cautioned that the vacancy pool information that will be provided to Council is continually changing. Green zone are items that are being saved through the reduction of \$5 million of wages and benefits; the Council only has the power do that through furloughs. The yellow zone reflects the next important in priority. If the sales tax passes, these items will be re-established. The red zone items will be eliminated.

Mayor Hallman then explained the red, yellow and green budget codes to the viewing audience and how those may or may not be impacted, depending upon the privilege sales tax ballot measure outcome. Mayor Hallman stated that the privilege sales tax ballot measure is basically an \$8 million place holder. If revenues rebound, then the goal is to go back to providing employees compensation to make up for cuts that are imposed as a result of the balancing of the budget.

Jerry Hart mentioned that later in this meeting, Councilmembers will be asked to reschedule the May 20 final adoption of the budget, the Capital Improvement Program budget, as well as the introduction and first hearing for the property tax to the June 10 Council meeting. The primary reason for this is so that staff has time to incorporate the election results into the final budget proposal. Staff will also be asking for tentative adoption of the budget for May 6. Should the sales tax ballot measure pass and be implemented on July 1, then the canvass of the special election must take place within a legal timeframe to achieve that goal.

Should the privilege sales tax ballot measure pass, Councilmember Woods asked how long it takes staff to verify if the \$8 million revenue projection is higher or lower than the actual revenue generated. Jerry Hart responded that it will take a minimum of six months of statistics. Mr. Meyer stated that staff does have the ability to separately track the revenue generated from a sales tax increase on a month to month basis. Councilmember Shekerjian stated that she would like to have those numbers tracked in every possible way. Councilmember Arredondo requested staff to make a budget presentation on the overhead projector illustrating the red/green/yellow categories so that employees understand this process.

CONSENSUS

Staff was directed to provide Council with a current list of vacant positions and a presentation of budget priority list

illustrating the yellow, green and red zones at an upcoming Issue Review Session.

Employee Group Presentations

DISCUSSION

Mayor Hallman stated that employee groups have been given the opportunity to submit additional budget proposals for Council consideration. Jack Batty, Mesa resident and Service Employees International Union (SEIU), President, and Jackie Awosika, Sun Lake resident, Executive vice-president of SEIU was called upon to make this presentation. Mr. Batty stated that the SEIU is proposing that SEIU employees take unpaid holidays plus one furlough day in order to satisfy their budget cutting requirements for this work group. This proposal is designed to be valid for FY 2010/2011, until the union contract can be renegotiated. To minimize economic effects on employees and for ease of administration, pay reductions will be implemented in four hour increments throughout each pay period during FY 2010/2011.

The following conditions for the above proposal are:

1. Money saved by forgoing holiday pay and taking one additional furlough day will not be used to restore any SEIU positions that are currently in the green budget category of the budget priority list regardless of whether they are moved to a different priority level or not.
2. The monetary savings resulting from the suspension of holiday pay and the taking of one furlough day will be applied to restoring SEIU positions
3. The monetary savings will not be applied to vacant SEIU positions targeted for elimination.
4. SEIU reserves the right to rescind this proposal after the Council budget priority list is finalized or if other City employee groups do not sustain an equivalent 5% reduction.
5. Upon Council's acceptance of this proposal, SEIU members will vote to ratify this change in the current Memorandum of Understanding (MOU).

This proposal accomplishes the following:

- Has zero impact on the delivery of services to residents
- Has zero impact on the scheduling of staff to deliver City services
- Does not require the use of overtime to backfill vacancies due to furloughs
- Restores positions that are needed to maintain the delivery of services

Ms. Awosika explained that, during the budget workshops, 29 SEIU positions went from the yellow to the red zone. They asked for balance and shared sacrifice between all areas of Tempe regarding employee reductions. Though they are not looking to take positions away from any other employee group, they believed that there is money available in the budget to restore employees, for example overtime which was moved to the yellow zone. These funds should be redirected to SEIU. They requested that Council take another look at the prior list.

Mayor Hallman asked how many of the 58 SEIU positions in the red budget category are currently occupied. Mr. Batty replied that all of the positions have employees in them.

Mayor Hallman stated that the City Manager is the point of contact for all of the employee groups to see what new proposal can come forward to improve this. Assuming no ability to move items from the green zone, given the policy decisions that have been made by Council, Mayor Hallman asked Mr. Batty if the proposal he presented is a preferred mix of what the SEIU would like to do to address its 5%, regardless of what positions get done away with, in place of furloughs. Regardless of what gets funded He would hope that the employee groups would come forward with how they would best come up with the 5%. The Council must get a 5% budget reduction from each employee group in order to

fund the green zone. Mr. Batty responded that, yes, it would still be the preferred method of achieving the 5% reduction and provide the least impact on services. Mayor Hallman noted that this proposal is a generous approach. SEIU member leaders were commended for their good-faith efforts as collaborators at the bargaining table

Ms. Awosika reiterated that SEIU would still like to see the money spent on SEIU jobs.

CONSENSUS

- SEIU confirmed that their preferred method of addressing its 5% reduction in pay and benefits, in lieu of across the board furloughs, is to give up holiday pay and one furlough day.
- SEIU noted preference to having the 5% used to restoring SEIU positions
- City Manager to be point of contact for employee group proposals

Capital Improvement Plan (CIP) Review

DISCUSSION

On March 25, Mr. Hart, Financial Services Director came forward to let Council know that the CIP budget would be severely impacted due to the significant project decline in property value over the next few years. Mr. Hart stated that the CIP budget relies heavily on property tax revenues in order to service the bonds that are issued to fund various capital projects. With the significant reduction in property tax valuations over the next few years it will substantially reduce secondary property tax revenues, which adversely impacts the City's ability to bond-finance capital projects.

Key Assumptions

Key assumptions utilized in the development of the five-year plan are as follows:

- Current property tax rate - \$1.40
- Projected 35% *decline* in net secondary assessed property valuation from fiscal years (FY)
- FY10/11 through FY12/13 based on information received from the Maricopa County Assessors Office
- Estimated available general obligation bonding capacity of \$6 million over the five-year planning period for applicable, non-Water/Wastewater projects
- Deferral of voter-authorized bond projects
- Use of approximately \$5.2 million of the capital improvements reserve to fund the renovation of the Fire Support Services facility
- Deferred receipt of the remaining Rio East (Southbank) proceeds beyond the five-year planning period
- Award of a major federal capital grant for the replacement of the rubber dams
- Continuation of necessary rate increases in the Water/Wastewater program
- Temporary discontinuation of Transit Fund contributions to the Municipal Arts Program due to the downturn; the Water/Wastewater fund will be the only fund making a contribution

Mr. Hart gave a slide presentation and mentioned that the property tax decline for Tempe has not been as significant as surrounding jurisdictions. For a single family home, staff anticipates a \$30 decline in the City property tax bill in 2010/2011, followed by an approximate \$35 decline in 2011/2012, assuming that the property tax rate in Tempe remains at \$1.40. Mayor Hallman requested that staff prepare a property tax projection for 2013/2014.

Because of the significant reduction in secondary property tax rates, it will be necessary to defer CIP projects, many beyond the five year period. Mayor Hallman stated that the CIP is funded by bonds that are sold by the City and are paid for by secondary property taxes, which is the only legal way to do this funding. Given the reduction in valuations, it will significantly reduce the primary and secondary property tax revenues. The primary property tax can be used for city operations. However, the secondary property can only be used for capital projects and to pay

bonds for principal and interest. It is an important distinction on how projects are funded and where money is coming from. The amount of bonds we have outstanding, already takes up most of the secondary tax coming in.

Councilmember Arredondo asked the City Manager to look into funding opportunities for the Maryanne Corder Neighborhood Grant Program – at a reduced rate. Councilmember Mitchell voiced his support for this as well.

Mayor Hallman mentioned that enterprise funds are monies collected that can only be reinvested back into their respective programs. For instance, monies collected for water utilities must be reinvested back into the Water/Wastewater Enterprise fund; these funds and bonds purchased are fully supported by user fees.

Staff has identified CIP projects that rely on bond funding as the primary funding source and which are absolute necessities. Because the City has limited bonding capacity, these projects (or requested level of project funding) are not included in the recommended five-year plan at this time.

Councilmember Navarro asked for verification that in 2007 staff was projecting a downturn in secondary property taxes. Mr. Hart concurred and stated that staff had projected a decline, however the depth of the decline was unforeseeable.

Mayor Hallman noted that the capital program historically goes up and down significantly at times due to the implementation of a dedicated tax or the sunset of a dedicated tax. For instance, the light rail project added \$585 million to the Phoenix and Tempe budgets with matching federal funds for a five year period. The current 16% reduction of the CIP budget takes into account the closure of the light rail project in conjunction with the lack of funding that went with that project.

Because of the drastic decline in secondary property taxes that are dedicated to CIP projects, Charlie Meyer stated that the CIP program will only consist of projects that have been committed to contractually. There are no new projects in the proposed CIP plan. Without any bonding capacity left, the only other alternative is cash, which amounts to approximately \$8.5 million in the capital reserve fund. Of that amount, \$7.5 million has been earmarked to complete the fire services facility. The remaining cash of \$1 million will be dedicated to infrastructure necessities. The source of funding for the Neighborhood Grant Program comes from CIP funds. Mayor Hallman requested that staff return to the May 6, Issue Review Session to discuss potential neighborhood capital improvements projects for the remaining \$1 million.

Mayor Hallman commended the finance staff and management for how well they are disseminating the influx of information as it pertains to this economic downturn and its impact upon the budget. He clarified that at least Tempe has not been as severely hit with declines in property valuation as the surrounding communities.

Councilmember Mitchell asked for clarification on what budget year this budgetary decline impacts. Mayor Hallman responded that the reason that there is a 50% reduction in the CIP beginning FY 2010/2011 is because the prior CIP program anticipated an additional \$50 million in CIP projects that have now been eliminated.

CONSENSUS

- Provide projection of property taxes for FY '12/13
- Provide specifics of possible expenditures of the available \$1 million in capital funds at the next Issue Review Session

Tempe Aviation Commission

DISCUSSION

Mayor Hallman asked Councilmember's if they had any comments regarding the staff proposal to amend the Aviation Commission ordinance. He recommended that this be moved to a formal Council agenda. Councilmember Arredondo requested that the Aviation Commission membership be expanded to allow members from zip codes 85282 and 85283.

There are currently three vacancies and no applications. Mayor Hallman asked the City Clerk to provide a list of board and commission vacancies for the next Council meeting.

CONSENSUS

- Moved ordinance changes forward to the formal Council agenda taking into consideration sensitivity of appointments.
- City Clerk to include in the announcements for next Formal Council meeting a list of vacancies currently existing in the Boards and Commissions and a request for applications.

Union Pacific Railroad Noise Mitigation Update

DISCUSSION

None.

CONSENSUS

This item was postponed to the next IRS.

Council Calendar Meeting

DISCUSSION

Councilmembers compared their calendars and selected upcoming meeting dates. Councilmember Shekerjian asked the City Clerk to add Executive Session with the words 'if needed' to calendar entries.

Vice-Mayor Ellis asked Councilmember's to consider having a light rail budget discussion on an IRS prior to May 19, so that input could be considered at the Valley Metro budget meeting, which she serves as a representative.

Jerry Hart stated that once the tentative budget has been adopted, the statutes prohibit the final budget adoption dollar amount to exceed the tentative budget total. Mayor Hallman asked staff to plan accordingly for that provision.

CONSENSUS

- Council Calendar Meeting – May 6, 5:00 pm, immediately preceding the Executive Session (if needed)
- Special Budget meeting – May 6, after the 7:30 Formal Meeting for tentative budget adoption
- Mill and Lake District Meeting in the Council Chambers – May 20, 6:30 pm
- Budget Workshop – May 21, 1:00 pm – 4:00 pm
- Special Budget Meeting – June 10 for Final Adoption of the Budget and CIP and Intro and 1st Public Hearing for the Property Tax
- Consider rail budget prior to May 19th to meet Metro budget schedule

Formal Council Agenda Items

None.

Future Agenda Items

None.

Mayor's Announcements/Manager's Announcements

None.

Meeting adjourned at 8:10 p.m.

Jan Hort
City Clerk